

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION FOR AUTHORITY TO TRANSFER)	
CONTROL OF CORPORATE TELEMAGEMENT)	
GROUP, INC. TO LCI INTERNATIONAL, INC.)	CASE NO. 95-248
AND LCI TELEMAGEMENT CORP. AND TO)	
GUARANTEE AN ASSOCIATED CREDIT)	
FACILITY)	

O R D E R

On June 28, 1995, LCI International, Inc. ("LCII"), LCI International Telecom Corp. ("LCI Telecom"), LCI Telemanagement Corp. ("LCI Telemanagement") and Corporate Telemanagement Group, Inc. ("Corporate Telemanagement Group") (hereinafter collectively referred to as "Joint Applicants") filed an application ("Application") pursuant to KRS 278.020(4) and (5) for Commission approval of the transfer of control of Corporate Telemanagement Group to LCII and the transfer of Corporate Telemanagement Group's authority to provide intrastate telecommunications services to LCI Telemanagement. Corporate Telemanagement Group, a privately-held South Carolina corporation, was authorized by the Commission to provide intrastate telecommunications services in Kentucky in Case No. 91-324.¹

¹ Case No. 91-324, Application of Corporate Telemanagement Group, Inc. for a Certificate of Public Convenience and Necessity to Operate as a Switchless Reseller of Long Distance Telecommunications Services Within the Commonwealth of Kentucky.

Joint Applicants also request approval for LCI Telecom, which was authorized to provide telecommunications services in Kentucky in Case No. 10090,² and LCI Telemanagement to act as guarantors of a \$500 million reducing revolving credit facility undertaken by LCII in part to finance the proposed transaction.

According to the Application and the parties' letter of intent, signed May 5, 1995 and filed with the Commission on June 28, 1995, the proposed transaction will result in the merger of Corporate Telemanagement Group with and into LCI Telemanagement, with LCI Telemanagement being the surviving entity. Joint Applicants state that the contemplated purchase price is approximately \$120 million, and that not more than forty percent of the purchase price will be paid in cash. The balance will be paid in LCII common stock. Following the consummation of the transaction, LCI Telemanagement will provide telecommunications services to Corporate Telemanagement Group's former customers.

LCII, a Delaware corporation, provides voice and data communications services to business and residential customers through its operating subsidiaries, which currently originate interstate and international traffic in 47 states. One of its operating subsidiaries, LCI Telecom, a Delaware corporation, provides intrastate service in 47 states, including Kentucky. LCI Telemanagement, a wholly-owned subsidiary of LCII, is a Delaware

² Case No. 10090, The Application of LiTel Telecommunications Corporation for a Certificate of Public Convenience and Necessity to Provide Intrastate Long Distance Telephone Service to the Public in the Commonwealth of Kentucky and for the Establishment of Rates.

corporation formed specifically for the purpose of facilitating the acquisition of Corporate Telemanagement Group.

Pursuant to KRS 278.020(4), all persons are required to obtain Commission approval prior to the acquisition or transfer of ownership or control of a utility under the jurisdiction of the Commission. KRS 278.020(5) prohibits any entity from acquiring control of any utility under the jurisdiction of the Commission without prior approval. The Commission finds that KRS 278.020(4) and (5) are applicable to the proposed transaction as described by Joint Applicants. Therefore, Commission approval is necessary.

Joint Applicants assert that the merger will be made in a seamless fashion and will not adversely affect the telecommunications services offered in Kentucky. On June 28, 1995, Joint Applicants filed an Adoption Notice pursuant to 807 KAR 5:011, Section 11, adopting the tariff of Corporate Telemanagement Group as of September 1, 1995, the date on which the business of Corporate Telemanagement Group is expected to be taken over by LCI Telemanagement Corporation. Joint Applicants further state that all Corporate Telemanagement Corporation customers will be sent timely notice of the transaction. Joint Applicants submit that, after the merger takes place, LCI Telemanagement will be led by well-qualified personnel consisting in part of current Corporate Telemanagement Group managers and key executives, and that the proposed transaction is in the public interest in that it will result in, among other things, increased efficiency, product innovation, and new and improved services for Kentucky customers.

The Commission finds that the proposed transaction is consistent with the public interest and that it will be made in accordance with law and for a proper purpose. The Commission further finds, based upon the Application and copies of LCII's 1994 SEC Form 10-K and 1994 Annual Report, attached as exhibits B and C, respectively, to the Application, that the acquiror possesses the financial, technical and managerial abilities to provide reasonable service to the public. Accordingly, the proposed transaction should be approved.

Joint Applicants also request approval of the proposed reducing revolving credit facility to be entered into by LCII in an aggregate amount of up to \$500 million. The proceeds will be used to finance the acquisition of Corporate Telemanagement Group, to refinance existing indebtedness, finance capital expenditures, make permitted acquisitions, and provide working capital for general corporate purposes. The proposed credit facility will be managed by First Union National Bank of North Carolina and NationsBank of Texas, N.A., with a syndicate of other financial institutions participating in the arrangement. The term of the credit facility will be five years. LCI Telecom and LCI Telemanagement seek Commission approval to act as guarantors of the credit facility.

KRS 278.300(1) provides that no utility shall issue securities or evidences of indebtedness, or assume any obligation or liability in respect to the securities or evidences of indebtedness of any other person until it has been authorized to do so by the Commission. Here, jurisdictional utilities seek to assume

obligations as guarantors of a credit facility of their corporate parent. Consequently, KRS 278.300 applies, and Commission approval is necessary.

The Commission, having considered the evidence of record and being sufficiently advised, finds that the consummation of the revolving credit facility by LCII is for the lawful objectives within the corporate purposes of LCII's operations, is necessary and appropriate for and consistent with the proper performances of its service to the public, will not impair its ability to perform that service, is reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. The proposed transaction as described by the Joint Applicants is hereby approved.

2. Joint Applicants shall notify the Commission within ten days of the date of closing of the proposed transaction or, in the alternative, shall notify the Commission if the proposed transaction does not occur.

3. Within 10 days of the closing of the proposed transaction, LCII shall file organizational charts reflecting all Kentucky telecommunications operations, all associated ownership interests, all associated corporate names, and all associated business names.

4. Within 10 days of the closing of the proposed transaction, LCI Telemanagement shall file in its own name the tariff of its predecessor utility.

5. LCII is authorized, pursuant to KRS 278.300, to assume the obligations of the revolving credit facility described in its application.


6. The proceeds from the transactions authorized herein shall be used only for the lawful purposes as set out in the application.

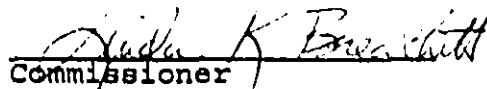
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 9th day of August, 1995.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director